

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0639-01
Bill No.: HB 241
Subject: Banks and Financial Institutions; Estates, Wills, and Trusts; Uniform Laws
Type: Original
Date: February 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Office of State Courts Administrator**, and the **Department of Economic Development—Divisions of Finance and Credit Unions**, assume the proposal would have no fiscal impact on their agencies.

The **Department of Revenue** assumes that the proposal will have no fiscal impact on their agency's administration, and that the Office of Administration—Division of Budget and Planning will calculate any impact to state revenues.

Officials with the **Office of Administration—Division of Budget and Planning** indicated that they cannot determine any possible impact on state revenues due to the proposal's revision of income recognition by trusts.

Oversight notes that the purpose of the bill is to update the manner in which fiduciaries report income for trust and estates to be uniform with federal standards. As such, Oversight assumes that there will be minimal or no impact on state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill revises the law governing principal and income in the administration of trusts. The bill:

- (1) Redefines the standards and processes used to determine which parts of a trust constitute principal and which constitute income from that principal, as well as trustees' obligations in administering those trusts;

DESCRIPTION (continued)

(2) Repeals much of the existing law in the sub-chapter governing principal and income, replacing it with terminology and standards consistent with the Prudent Investor Act, enacted in 1996, and incorporating many of the changes in the federal income tax code since 1983;

(3) Clarifies that the terms of a trust control in the administration of the trust, that the statutes serve as a default mechanism only, and that money and property are presumed principal if the terms of the trust or statutes do not dictate; and

(4) Reduces the statute of limitations, from 5 years to 2 years, for claims of breach of trust resulting from a trustee's allocation of income and principal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Economic Development
 Division of Finance
 Division of Credit Unions
Department of Revenue
Office of Administration
 Division of Budget & Planning



Jeanne Jarrett, CPA
Director
February 6, 2001